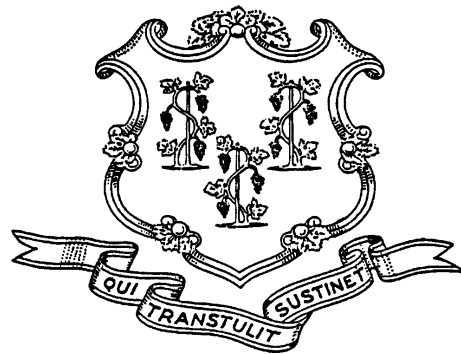


Department of Social Services

Summary of Governor's Recommendations

on Adjustments to the Biennial Budget



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I. Restructuring Medicaid and Other Health Care Changes

Introduction

The Medicaid program, the largest single program in the state budget, will cost taxpayers an astounding \$1.9 billion in 1995-96, or 21 percent of the state's entire General Fund budget.

There are many reasons for the heavy burden that Medicaid places on state taxpayers. The largest single element of the program is long term care for elderly and disabled citizens. The administration is committed to caring for our elderly and disabled in the most cost-effective manner possible, and to that end has proposed a pilot program that would leverage both Medicaid and Medicare dollars in an integrated system of care. Even if Congress and the President fail to come to an accord on the budget debate regarding Medicare and Medicaid, however, Connecticut will move ahead with plans to create a managed care program for our elderly and disabled citizens on Medicaid because we believe we can make better use of scarce health care dollars by managing them more effectively.

But other factors fuel Medicaid's growth. Connecticut's Medicaid program has historically gone far above and beyond what is required by federal law. For example, federal law requires that each state provide a package of core services, or mandatory services, to Medicaid recipients. These include inpatient and outpatient hospital services, physician services, skilled nursing facility care, laboratory and x-ray services, family planning, nurse midwives, nurse practitioners, early periodic screening, diagnosis and treatment services and federally qualified health center services. States can also choose to provide 33 additional services, known as optional services. These include dental and vision care, podiatry, pharmacy services, medical equipment, devices and supplies, clinic services and other services. Connecticut's Medicaid program currently provides nearly all of the optional services to all eligibility groups, at a cost of \$200 million annually to taxpayers. In many cases, Medicaid recipients have access to services not paid for by private health insurance.

Another example of where Connecticut has gone beyond federal Medicaid requirements is in the categories of persons eligible for Medicaid, extending coverage in some cases to families with incomes of nearly twice the federal poverty level. And finally, Connecticut has not taken advantage of the benefits that competitive bidding for medical services could bring.

Without changes, Medicaid expenditures will continue to grow and Connecticut taxpayers will continue to see more and more of their hard-earned dollars swallowed up by this and other state-funded health care programs. In an environment where many Connecticut families have entered managed care or are shouldering more of their own health care costs, it is not unreasonable to scale back the scope of the Medicaid program, to bring it more in line with what working families have in the private health insurance market and to introduce competition into its reimbursement structures. These changes will enable us to provide medical care at a reasonable cost to poor and low-income individuals and families while minimizing the burden on state taxpayers.

To accomplish these goals, the Governor's recommended budget adjustment includes the following changes to the Medicaid, General Assistance and ConnPACE programs.

Eliminate certain optional medical services

Connecticut has a long tradition of providing benefits far above those mandated by the federal government. The department's Medicaid and General Assistance programs currently pay for certain services that are considered optional under federal Medicaid law. These services include dental, vision, podiatry, independent psychology services, pharmacy, clinic, medical equipment, devices and supplies and other services.

Under this proposal, certain optional services would be eliminated for some individuals. The department would continue to pay for pharmacy, clinic and medical equipment, devices and supplies for all persons, but other services, such as dental and vision care, podiatry and services provided by psychologists and physical and speech therapists, would be allowed only for children under 21, pregnant women and certain low-income elderly.

The scaling back in optional services is consistent with medical plans seen in the private sector. Many private health plans do not cover dental or vision screening. It is also important to note, however, that some of the optional services being retained by the state, for example, medical equipment, devices and supplies and prescription drugs, are not always covered by private health plans.

Savings are estimated to be \$17.9 million during FY 1996-97.

Contract pharmacy services for Medicaid, ConnPACE and General Assistance

With the exception of those Medicaid recipients in managed care, prescriptions are purchased by the state without the financial benefits of competitive bidding.

To achieve the savings advantages that competitive bidding can bring, the department will contract out all non-managed care prescriptions through a competitive bidding process. A federal waiver may be necessary to supersede federal Medicaid freedom of choice mandates. Implementation will begin October 1, 1996; savings are anticipated to be \$15 million.

Restructure medical transportation in the Medicaid program to ensure the least costly method of transport

Medicaid recipients are eligible for medical transportation to and from medical appointments. Transportation can be by bus, taxi, livery, invalid coach, ambulance or air; the most cost-effective transportation that is appropriate for the recipient's condition should always be used. While emergency transportation does not need to be authorized in advance by the department, non-emergency transportation does. During evenings and weekends, however, there is no way for clients to obtain prior approval of transportation, leading to cases where recipients may use costly ambulance services for non-emergency needs.

To ensure that recipients use at all times the least costly transportation that is appropriate, the Governor is recommending the privatization of the management and delivery of non-emergency transportation for Medicaid recipients who are not in managed care. (Family Medicaid recipients in managed care have transportation services arranged and controlled by their managed care organization.) This will provide 24-hour, 7-days a week management of non-emergency medical transportation use and will ensure that the least costly transportation is used at all times.

Furthermore, to ensure that clients going to methadone clinics use the most appropriate form of transportation and to improve clinical outcomes, this proposal also would include transportation expenses in the rate paid to those clinics.

Finally, for Medicaid nursing home residents, the cost for non-emergency transportation to and from medical appointments will be added to the nursing home rate. The nursing home will be responsible for non-emergency transport and the state will increase the Medicaid nursing home per diem rate to reimburse the homes for these costs.

Estimated savings from the privatization of non-emergency transportation and from the incorporation of transportation into methadone clinic and nursing home rates are \$5.1 million in SFY 96-97.

Restrict Medicaid eligibility for children from 185 percent to 133 percent of federal poverty level

Connecticut has gone beyond federal Medicaid mandates not only in the scope of services provided but also by providing coverage to populations not mandated by the federal government. For example, federal law requires that children 6 and over but under nineteen years born after September 30, 1983 be covered if they live in households with incomes below the poverty level. Connecticut currently provides benefits to these children if they live in households with incomes up to 185 percent of the poverty level.

To restrain the growth of spending while continuing to provide coverage for children in low-income working families, Medicaid coverage for children whose household income is above 133 percent of the federal poverty level will be eliminated. Infants up to age one will continue to be eligible with household income up to 185 percent of poverty, as required by federal law. Children whose household income is above 133 percent of poverty, however, may continue to qualify if they have high medical expenses.

Even with this change, Connecticut continues to be more generous in terms of covering its residents than the federal law requires. Savings are expected to reach \$4 million in SFY 96-97.

Discontinue the Hospital Assistance Program

As part of the state's effort to reimburse hospitals for uncompensated care, the state created an Uncompensated Care Program. Payments from the program are made to hospitals that serve a disproportionate number of indigents. These payments resulted in the federal government reimbursing Connecticut 50 percent for these costs, or approximately \$110 million annually. Due to a number of changes in the program and the uncertainty of the impact of changes at the federal level, the Governor and the General Assembly asked the Lieutenant Governor to conduct a review of the program's financing components.

The administration is recommending the phasing down of the hospital gross receipts tax over a four-year period starting in FY 1996-97. Total relief offered to hospitals will be approximately \$26.7 million in 1996-97. At the end of the four year period, hospitals will be saving \$95.9 million annually in gross receipts taxes when the rate is finally phased down to 6.25 percent.

Because of the significant relief being offered to hospitals in the coming years, the administration proposes to eliminate the Hospital Assistance Program. Elimination of these payments to hospitals will save \$25 million.

Eliminate funding for the Children's Health Initiative account

In 1995, funding was included in the state's budget for the creation of a Children's Health Initiative that would work to improve children's access to health care and to expand the Hartford HealthTrack program into a statewide program.

The Governor's recommended budget adjustment calls for eliminating the funding for the Children's Health Initiative for several reasons. With the Medicaid managed care program well underway and a new request for proposals soon to be released for a quality assurance contractor, the Initiative's coordination, outreach and monitoring activities will be duplicative.

Savings from eliminating funding for the Initiative are \$4.27 million.

Increase teen pregnancy prevention funding

For the 1996-97 fiscal year, the appropriation calls for a \$212,500 reduction in teen pregnancy prevention funding from the 1995-96 funding level of \$850,000. The Governor's recommended budget reallocates \$300,000 from the Children's Health Initiative savings to this program, which now would be funded at \$937,500 for the coming fiscal year.

Update on Medicaid Managed Care for Families

The traditional Medicaid model, a fee-for-service system, has failed to promote access for recipients and has failed to contain costs for taxpayers. To address these problems, the state has adopted a managed care approach that incorporates the same general cost containment features as are practiced in the private sector. This managed care program is called Connecticut Access.

The department continues to make progress in enrolling approximately 225,000 family Medicaid recipients into Connecticut Access. The state has contracted with 11 managed care organizations and is expecting to spend no more than 95 percent of what would otherwise have been spent on family cases in the traditional fee for service system.

Enrollments are running ahead of schedule, with many clients voluntarily enrolling before their scheduled entry into the program. As of February 1, 1996, 145,448 recipients were enrolled, 25,000 ahead of schedule. Very few clients fail to choose a health plan; with the assistance of the state's enrollment broker, nearly 90 percent choose which plan they will join. Clients who fail to choose a health plan are assigned to one of two default plans, but may select another plan within 30 days.

The department is putting in place quality assurance measures to provide a comprehensive assessment of the quality of care received by clients and health plan performance. The department will release a competitively bid request for proposals for a firm to monitor access, review medical records and oversee health plan contractual compliance.

Results from a survey of 1,500 Medicaid recipients enrolled in Connecticut Access are promising. The survey, conducted by the consulting firm Maximus, sought information on whether clients were satisfied with the care they were receiving under managed care, compared to the traditional fee-for-service model; whether clients had experienced disruptions in care or difficulty in getting access to services; and whether clients understood the materials they had received from the state and from the health plans.

The results of the survey indicate the following:

- over 90 percent of the clients stated that their children were receiving the services they need under the managed care program;
- 71 percent of the recipients who used services in the new managed care setting reported no problems with the services;
- over 90 percent of the clients feel the doctors and other medical providers are located in a very convenient or somewhat convenient location;
- 64 percent of clients are receiving care from the same provider as before managed care, and 84 percent reported they were at least as satisfied or more satisfied in the managed care setting;
- of the 36 percent who have new medical providers under managed care, 73 percent said they were at least as satisfied or more satisfied than previously; and
- 75 percent of the clients thought the materials they received from DSS were clear and useful and 82 percent of the clients thought that the materials they received from the health plans were clear and useful.

The department expects to have all its family Medicaid recipients enrolled in Connecticut Access by December, 1996.

II. Promoting Work and Personal Responsibility

Introduction

Governor Rowland promised Connecticut taxpayers that he would reform welfare and other programs that have fostered dependency and failed to encourage personal responsibility. For far too long, well-intentioned benefit programs have not reflected individual accountability and the American work ethic. The Governor delivered on his promise. Last year, he proposed to the legislature a wholesale restructuring of welfare, with clear expectations of personal responsibility and strong incentives for work. Connecticut now has the toughest AFDC welfare reform program in the nation, with a 21 month time limit on benefits to employable families, reduced benefits, a family cap on benefits for additional children born on welfare, the most generous financial incentive to work in the nation, a biometric finger imaging system and stiffer child support enforcement. In addition, the state has imposed strict time limits and has reduced benefits to employables receiving General Assistance.

Connecticut is already seeing the results of these actions. From July to December, 1995, the percentage of AFDC recipients who are working rose from 12.7 percent to nearly 17 percent, an overall increase of 32 percent. This represents the highest percentage of AFDC recipients working in at least fifteen years. The General Assistance caseload has dropped from 24,600 in June, 1995 to an estimated 21,800 in December. While it is impossible to attribute precisely the impact of each change, it is clear that requiring GA recipients to pick up their checks in person, reducing benefits and imposing a time limit on assistance to employable persons all have contributed to a decrease in the GA caseload. Furthermore, the early results of the Governor's license suspension proposal for parents who fail to pay child support are encouraging: in one month alone, the state has collected \$1.25 million from parents who owe past due support after they were notified of the possibility that their drivers' and/or professional licenses could be suspended.

We need to continue building on these successes. To reinforce the importance of work and personal responsibility, the Governor is proposing several recommendations for the child support, rental assistance, general assistance and AFDC programs.

Strengthen Child Support Enforcement

To further increase child support collections, the Governor's recommended budget adjustment includes four improvements to the child support enforcement program.

The first change would require proof of residence for motor vehicle transactions when the Department of Social Services has notified the Department of Motor Vehicles that a child support obligor's address is invalid. This would enable DSS to obtain a new address when the obligor has renewed a drivers license or registered a motor vehicle. By getting an accurate address, the department will be better able to pursue delinquent obligors who have gone underground to avoid making child support payments.

Second, the state would expand the existing DSS/Department of Labor cross-match to all child support obligors, not simply those who are delinquent. Through automated interfaces with Labor, any and all child support cases could be pursued, including cases without an order that are under investigation.

Third, the Departments of Social Services and Revenue Services would conduct cross-matches against income tax files to identify assets of delinquent obligors with no visible earnings through examination of quarterly self-employment reports or interest and dividend statements. Once the department has proof that a delinquent obligor has income, even interest income, then the case can be taken to court to establish or enforce a child support order.

And finally, the state would seek to freeze and seize bank accounts of delinquent obligors who have overdue support of \$500 or more.

Net savings in 1996-97 from these changes are estimated to be \$335,000. An estimated \$800,000 in additional revenue is anticipated in the next fiscal year.

Eliminate family component of rental assistance program

In keeping with the Governor's welfare reform program that has returned welfare to a program of temporary assistance and one that expects recipients to go to work, the family component of the rental assistance program will be eliminated. The component of the rental assistance program that serves persons who are elderly or living in congregate housing will remain intact.

Most of these families receive AFDC benefits. Although 3 percent of AFDC families receive benefits from the rental assistance program, they account for 62 percent of the expenditures. Most AFDC families are in the private rental market and are able to pay their rent without a subsidy.

The state's welfare reform plan allows AFDC recipients who go to work to earn up to the federal poverty level without losing cash benefits during their 21 months of assistance. It is anticipated that families will be able to absorb the loss of the subsidy by going to work as expected under the welfare reform plan.

Elimination of the family component of the rental assistance program will save \$13.5 million.

Limit cash assistance for employable General Assistance recipients to two months per year for no more than five years

Employable men and women who receive General Assistance benefits from the municipalities presently are eligible for ten months of cash assistance in the first year and six months in the second year. Unemployable persons are not subject to a time limit on benefits.

To reinforce the need for personal responsibility and for recipients to work, the Governor's recommended budget calls for limiting cash benefits for employable General Assistance recipients to two months per year, with a lifetime limit of 5 years. This will underscore the need for GA recipients to look for work and to stay employed, while continuing to provide a short term safety net for periods of unemployment.

Medical benefits will continue to be provided after cash assistance ends. Persons who are unemployable and unable to work will not be subject to a time limit on their cash assistance.

Limiting General Assistance to able-bodied men and women to two months per year is expected to save \$24 million in 1996-97.

Increased child care appropriations

If AFDC recipients are expected to move into jobs as soon as possible, there must be adequate child care funding to support them.

Consequently, the Governor is recommending a dramatic increase in state funds provided for AFDC child care for 1996-97. In 1995, the Governor recommended increasing significantly the child care budget for AFDC recipients. At the time, the child care appropriation was \$28 million. The biennial budget appropriated \$44 million for child care in 1996-97, an increase of \$16 million in two years.

AFDC recipients are going to work in greater numbers than ever before, so much so that the demand for child care among recipients has outmatched both this year's and next fiscal year's appropriations. In 1995-96, the state expects to spend \$48.7 million on child care, \$12 million more than appropriated.

Rather than limiting access to child care, the Governor is recommending increasing child care funds for both working families and those looking for work. The Governor's recommended budget adjustment for 1996-97 calls for an appropriation of \$73 million, \$29 million more than appropriated and an increase in child care spending of \$45 million in just two years.

Reducing truancy among children in welfare families

Not only must we focus our efforts on helping welfare recipients get back into the job market, but we must think also about preventing future welfare dependence.

Poor school attendance can seriously limit a child's future ability to become a productive, self-supporting citizen. All children need to go to school, but this is especially true for children in poor families. Failure to attend school can set up a pattern of failure in other arenas, but finishing high school can improve a poor child's likelihood of supporting himself and avoiding welfare in the future.

To address the problem of truancy in welfare families, Governor Rowland has directed the department to work with the State Department of Education. First, DSS and SDE will develop a mechanism to identify how many children are truant and which ones are receiving welfare. Second, once those children have been identified, DSS and other agencies as needed must intervene in these situations and monitor the children's progress in achieving regular school attendance.

Based upon recommendations that will be developed by the Departments of Social Services and Education, the Governor may introduce legislation during the 1997 legislative session to reduce benefits to parents of truant children.

III. Administrative Improvements

Privatize recoupment of AFDC, Food Stamps and Adult Program overpayments

In recognition that there is a backlog of unrecouped overpayments made to AFDC and Food Stamp recipients, the Governor is proposing to privatize the processing of recoupments to secure the revenues currently owed to the state. This will also allow DSS workers to focus their time and energy on getting welfare recipients into jobs, the best way to reduce overall spending on welfare.

While this proposal assumes \$1.5 million in savings in the next fiscal year, in future years this privatization initiative could increase revenues to the state by millions of dollars as recipients and former recipients finish paying back their overpayments.

Volunteer initiatives

The move to bring welfare recipients into the work force has called for an increasing partnership between the public and the private sectors. The department has worked cooperatively with groups to develop the linkages needed for recipients to get access to jobs. In a similar vein, the department has created a mentoring program to give welfare recipients role models and the support they will need as they transition from welfare into work.

In keeping with his interest in promoting more public-private partnerships and volunteer initiatives, the Governor is proposing to establish a unit within the Department of Social Services to coordinate and promote various civic and charitable efforts by private citizens and groups.

Additional funding of \$160,000 is provided for 3 staff persons and related costs.

Sales and use tax credit

As part of the Governor's economic development initiative, the Governor is recommending a sales and use tax credit for purchases related to a new or expanding business, based in Connecticut, that results in 25 or more new jobs.

To encourage these expanding or new businesses to hire welfare recipients, the Governor is recommending a higher tax credit ceiling for businesses that hire AFDC or General Assistance recipients. This will not only boost the state's efforts to move recipients from welfare to work, but it should help attract new businesses to the state and will benefit small and new businesses in particular.